

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1669-22
Bill No.: SS for SCS for HCS for HB 780 with SA1, SA2, SA3, SA4, SA5, SA6, SA7, SA8
SA9, SA10, SA11, SA12, SA13 & SA14
Subject: Economic Development; Enterprise Zones; Business and Commerce.
Type: Original
Date: May 18, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue*	(\$5,372,890 to Unknown)	(\$5,703,033 to Unknown)	(\$5,844,668 to Unknown)
Other State Funds	(\$517,104 to Unknown)	(\$620,524 to Unknown)	(\$620,524 to Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$5,889,944 to UNKNOWN)	(\$6,323,557 to UNKNOWN)	(\$6,465,192 to UNKNOWN)

*** Partially subject to appropriation**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*** Partially subject to voter approval**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 34 pages.

FISCAL ANALYSIS

ASSUMPTION

Section 67.1300 - Allows sales tax in Caldwell County;

In response to similar legislation from this year, officials from **Caldwell County** stated that a 1/2 cent sales tax imposed in the county would generate roughly \$120,000 in revenue per year.

Officials from the **Department of Revenue (DOR)** assume as long as the local sales taxes remain within the city/county lines, there will be no administrative impact to the Department.

Officials from the **Department of Economic Development (DED)** assume this part of the proposal authorizes a local sales tax for Caldwell County and would have no fiscal impact on their agency.

Oversight assumes, pending voter approval in 2001, the sales tax may be effective January 1, 2002.

Section 67.1360 - Allows transient guest tax in Newton County;

In response to similar legislation from this year, officials from **Newton County** stated that currently, two communities (Joplin and Neosho) within their county already have sales taxes on transient guests. They could not provide Oversight with a fiscal estimate.

In response to similar legislation, officials from the **DOR** assumed this tax will be collected by the local government and will not have an administrative impact.

DED assumes this part of the proposal allows Newton County to impose a local sales tax on sleeping rooms for tourism and would have no fiscal impact on their agency.

Oversight assumes this part of the proposal, subject to voter approval, would have an unknown positive fiscal impact to Newton County.

Section 67.1442 - Community Improvement Districts

In response to similar legislation from this year, **City of Springfield** officials assume this proposal is discretionary and would have no fiscal impact to Community Improvement Districts unless, the District Board of Directors would consent to the relocation or removal of property from one zone to another zone within the same district.

ASSUMPTION (continued)

Oversight assumes this part of the proposal is permissive and would have no fiscal impact. To remove property or relocate property from a Community Improvement District would require a hearing by the City, and approval by the District Board before any action to remove or relocate property. The district would have to meet any financial obligation excluding the revenues generated by the property being removed.

Section 67.1545 - Community Improvement District- Kansas City

Oversight assumes that this proposal adds some additional duties for Community Improvement Districts in Kansas City, whenever an election is held seeking approval of a sales tax. Current law already requires an election by mail-in ballot so there would be no new costs of having an election, other than publication requirements, along with other duties which would not have significant impact to the election authority, or to the district. Any new costs would be costs for the Community Improvement District, and Oversight assumes would not be significant. Costs would only occur on questions of sales tax approval. Oversight assumes **no fiscal impact**.

Section 94.577 - Voting in Kansas City:

In response to similar legislation from this year, officials from the **Office of the Secretary of State** assumed this part of the proposal would not fiscally impact their agency.

In response to similar legislation from this year, officials from the **City of Kansas City** stated this part of the proposal would allow Kansas City to put before the voters an issue regarding light rail in Kansas City.

Oversight assumes this part of the proposal would not have a fiscal impact to the state or the City of Kansas City, since it is subject to voter approval.

Section 135.150 - Credit for New or Expanded Business Facility:

DED assumes this part of the proposal changes the New/Expanding Business Facility Tax Credit Program from an uncapped entitlement program to an annual cap of \$4 million. The DED states this should result in reduced credits issued and claimed in the amount of approximately \$4 million per year.

ASSUMPTION (continued)

Section 135.200 - Expansion of "Revenue-producing enterprise" for enterprise zones;

DED states this part of the proposal adds classifications (hotels and motels) that qualify for Enterprise Zone benefits in Salem, MO, but only for local abatement. No fiscal impact on DED

In response to similar legislation from this year, officials from the **City of Salem** stated with passage of this legislation, a new 65 room hotel facility will probably be built in their community. The City of Salem estimates the annual revenues from this facility for the city, including sales tax and increased property taxes would be roughly \$11,521. The City of Salem also estimates that gross water and electric revenues for this new facility would be roughly \$60,000 to the City.

Oversight assumes the state will not be fiscally impacted from this part of the legislation. Oversight also assumes the local taxing and governing authorities may grant an exemption (in whole or in part) of property taxes to this new hotel after holding the required public hearings on the matter, therefore, has estimated the local impact as zero.

Section 135.205 - Increase in allowable population in enterprise zones not within a metropolitan statistical area from 20,000 to 25,000;

Officials from the **Department of Economic Development (DED)** state this would increase the allowable size of the population in enterprise zones in non-metropolitan statistical areas from 20,000 to 25,000. The DED assumed this increase in population allowable will increase the number of credits and income modifications for enterprise zones. The number of enterprise zones is capped by law, so additional zones would not be generated from this legislation, however, the DED estimates that one zone per year would expand beyond 20,000 inhabitants and this proposal would generate additional credits being taken by businesses within those zones.

The DED estimates the fiscal impact of this legislation as \$47,952 for each year on a cumulative basis. Therefore, the proposed legislation is estimated to cost \$47,952 in FY 2002, \$95,904 in FY 2003, and \$143,856 in FY 2004. The DED assumes they will not need additional resources to implement this proposed legislation.

The DED states there is an average of 8.41 businesses per zone (530 businesses / 63 zones) receiving benefits. The DED assumes that 20% of these, or 1.68 new businesses per zone will now qualify for the credit and that only one zone per year would expand when that one zone per year would increase beyond 20,000 inhabitants. Multiplying the new 1.68 businesses per year by the average of \$28,500 of benefits received by each business, the proposal is estimated to result

ASSUMPTION (continued)

in an additional \$47,952 in tax credits per year.

Oversight assumes the proposed legislation will not result in additional enterprise zones since the number is capped at 63. However, the proposal will result in additional businesses qualifying for the tax credits in non-metropolitan areas in areas that are expanded beyond 20,000 inhabitants.

Section 135.207 - Authorizes three satellite zones in Springfield;

In response to similar legislation from this year, officials from **DED** stated this part of the proposal authorizes three new satellite enterprise zones in Springfield. DED did not feel this part of the proposal has enough immediate impact on DED to warrant additional personnel or expenditures. At some point in the future, enough additional enterprise zone credits could be issued that would require an additional person. At that time, DED would request additional funding.

DED states the average cost for each satellite enterprise zone is \$60,000 per year as opposed to \$352,000 per regular enterprise zone. This bill authorizes three new satellite enterprise zones, or an estimated cost of \$180,000 (3 x \$60,000).

In response to similar legislation from this year, officials from the **City of Springfield** assumed this proposal would be revenue neutral as the purpose of the bill is to attract new businesses and this increases economic development which is not a loss, but may be a net gain to cities.

Section 135.230 - Harley Davidson plant in Kansas City;

DED states this part of the proposal changes the residency requirements for Enterprise Zone credits. This part of the bill is the same as FN 1886-01. However, DED has re-evaluated this original response. DED originally predicted a \$0 to \$200,000 impact. DED now projects the impact to be \$0. This change in response from 1886-01 is based on additional input from the cycle manufacturer impacted by the NAICS code.

Oversight also assumes the expansion of the employees who count toward the residency requirement at the Harley Davidson plant in Kansas City may have a fiscal impact on the state and have used DED's original response.

ASSUMPTION (continued)

Section 135.400 -135.423 - Tax Credit for Investments in Missouri Small Businesses;

DED states Section 135.400 changes principal ownership designation from 50% to 35% for Capital Tax Credit, which would not fiscally impact their agency. DED also states Section 135.403 would cost \$4 million per year for 10 years as well as reduces carry forward to 5 years and changes transfers. DED also states Sections 135.408, 135.411, 135.423 make other changes to the Capital Tax Credit, but creates no new fiscal or administrative costs. DED state that 135.411 also requires 30% of the \$2 million for distressed communities to go into pre-seed and seed ventures in incubators funded by DED. No fiscal impact on DED.

Section 135.460 - Youth Opportunities and Violence Protection Act;

DED states this part of the proposal expands activities for Youth Opportunities program in distressed communities only; credits becomes transferable with 15% maximum for new activities. DED states this program is capped at \$6 million per year, so there would be no fiscal impact to their agency.

Section 135.478 & 135.481 - Expands the definitions of "eligible residence", "new residence" and "project" as well as adds a definition for "central business district". Also increases the allowable percentage of costs from fifteen to twenty;

Oversight assumes this part of the proposal simply adds projects that qualify for the tax credit, but does not change the \$16 million cap for the program, therefore have assumed no fiscal impact from this part of the proposal.

Section 135.484 - Allows the reallocation of any unused tax credits for rehabilitation and construction of residences in distressed communities and census blocks;

DED states this part of the proposal allows reallocation of Neighborhood Preservation Tax Credits and would not fiscally impact their agency.

In response to similar legislation from this year, DED stated that in calendar year 2000, the entire \$8,000,000 in "qualifying residence" program credits were utilized, while \$5,000,000 (out of \$8,000,000) in "eligible residence" program credits were utilized, leaving \$3,000,000 in tax credits not utilized.

ASSUMPTION (continued)

Oversight assumes 70% of the unused tax credits, \$2,100,000 (70% x \$3,000,000) could be shifted to be utilized by the other program. Since 2000 was the first year of the program, there is not enough historical data to determine if only \$5,000,000 of the \$8,000,000 in "eligible residence" program credits would be utilized consistently, therefore, Oversight has ranged the impact of this proposal to \$0 (reflecting all \$8,000,000 in each program would be utilized before a reallocation) to a negative \$2,100,000 impact to state revenues.

Section 135.487 - Allows projects involving the construction or rehabilitation of more than one residence to apply for and receive the credit piecemeal:

Oversight assumes this part of the proposal would not have a fiscal impact on the state.

Section 135.500 to 135.527 - CAPCO program:

DED states this part of the proposal adds authority for an allocation of tax credits for investments in CAPCOs totaling \$40 million. The credits are taken over a period of ten years (\$4 million per year). A revision of the current rules and regulations for the CAPCO program would need to be undertaken by DED. DED approves the CAPCOs and authorizes the tax credits to the investors. This requires DED to set up a standard set of guidelines for the CAPCOs to follow during the process. There is then daily monitoring of the program, including approving investments in the qualified small businesses, collecting quarterly reports, and making sure the necessary reporting is completed. The DED would be required to administer and oversee the additional credits. Requirements for at least one company invested in to be a pre-seed at benchmark years to not have a fiscal impact on DED.

DED assumes the need for an Economic Development Incentive Specialist II (at \$37,488 annually) and a Clerk Typist II (at \$20,472 annually) to administer changes to the CAPCO program. These people will conduct the additional work created by the additional credits. DED estimates the total costs for these two FTE would be roughly \$120,000 per year.

Oversight assumes the Department of Economic Development could use resources saved from the reduction of the Family Development Account as well as the Individual Training Account Program to help administer the additional \$40,000,000 in CAPCO tax credits and therefore, will not require the additional FTE requested for that program. This additional amount will be the fourth round of CAPCO tax credits administered, bringing the total credits authorized to \$180,000,000. Since many of the same investors participate in each round of tax credits, DED's efforts to collect reports, monitor investments, etc. is aided by having fewer contacts with similar

ASSUMPTION (continued)

investments.

In response to similar legislation from this year, officials from the **Department of Agriculture** state this part of the proposal would not fiscally impact their agency.

In response to similar legislation from this year, officials from the **Department of Insurance** state this part of the proposal makes various changes to the CAPCO tax credits, including caps and re-allocations, which would result in an unknown cost.

Section 135.535 - Tax Credits for Investment in, or Relocating a Business to, a Distressed Community:

DED states this part of the proposal lowers the cap on Rebuilding Communities from \$10 million to \$7.5 million, saving \$2.5 million annually. DED assumes the other changes to the section have no fiscal impact.

Section 135.545 - Tax Credits for Investment in the Transportation Development of a Distressed Community:

DED states this part of the proposal lowers the cap on Transportation Development Tax Credit from \$10 million to \$7.5 million, saving \$2.5 million per year.

Section 178.892, 620.470, 620.474 - Job Training Development:

In response from similar legislation from this year, officials from the **Department of Economic Development, Department of Higher Education, Department of Elementary and Secondary Education**, and the **Department of Labor and Industrial Relations** each assumed this proposal would not fiscally impact their respective agencies.

Oversight assumes the revision of the Community College training program (RSMo 178) would expand the companies available to apply for assistance through the program. Currently certificates are sold by community colleges and are in effect paid off through a deduction of part of withholding tax on new employees' salaries. The DED stated that currently there is a cap on the total outstanding certificates of \$55 million (which is set by the Missouri Job Training Joint Legislative Oversight Committee), of which \$22 million is not issued. Part of the \$22 million is committed to companies as incentive to relocate to Missouri, leaving roughly \$10 million in

ASSUMPTION (continued)

available certificates. This cap is on outstanding certificates, therefore, it is a constantly changing number with older certificates being paid off as well as new certificates being issued. Oversight assumes the expansion of this program will allow additional companies to qualify for the program. Oversight has ranged the amount of cost from \$0 to (unknown). Oversight acknowledges the creation of new jobs could result in additional tax revenue to the state. However, it would be difficult to assess whether the creation of the jobs would be a direct result of this program. For purposes of this fiscal note, unknown costs have been stated for the retirement of additional certificates.

Oversight also assumes the proposal would expand the Missouri Job Development program (RSMo 620) by allowing companies that are not in the manufacturing industry to apply for the grants from the Department of Economic Development. According to DED, last year \$15 million was appropriated for this program. \$50 million in requests were received from 539 projects. Only 396 projects were approved. The total amount appropriated for this program currently is \$20 million. It is assumed this proposal would result in more projects competing for funds which are already insufficient to fulfill requests

Sections 215.036 & 215.038 - Missouri Housing Development Commission (MHDC);

Oversight assumes this part of the proposal shifts the benefit of the MHDC financing between groups and between projects, and would have no net fiscal impact to the state.

Section 348.300 & 348.302 - Tax Credit for Contributions to Innovation Centers;

In response to similar legislation from this year, **DED** stated this credit (not to be confused with New Enterprise Creation Act passed in 1999) changes the \$9 million cumulative cap to an annual cap of \$4 million (for distressed communities). The DED stated that of the \$9 million cap, \$171,580 has not been allocated, therefore, DED assumed an annual cost of \$4 million per year.

Section 429.015 - Mechanics Lien;

In response to similar legislation from this year, officials of the **Department of Economic Development-Division of Professional Registration** assumed there would be no fiscal impact to their department.

ASSUMPTION (continued)

In response to similar legislation from this year, officials of the **City of St. Louis** stated this proposal would provide another method for the City to recoup its demolition costs, however, the amount would not be significant and would depend upon the number of actions that would be taken pursuant to this proposal. Officials assume no significant fiscal impact.

Oversight assumes this proposal would give municipalities another tool for enforcing claims against certain property owners. This could result in increased income to St. Louis City, although the amount would vary from year to year.

Section 447.700 - Abandoned property, redevelopment projects;

Officials from the **Department of Economic Development (DED)** state this part of the proposal changes the brownfield program to specifically include demolition as an allowable cost for projects in the City of Washington at a cost of \$125,000 one time. Adjacent but uncontaminated property can be eligible for the program. DED assumes no costs since this is a discretionary program already budgeted for or subject to appropriation.

DED states section 447.708 adds a discretionary demolition tax credit. DED assumes no fiscal impact as this would be included in current projections for Brownfield programs.

In response to similar legislation from this year, DED stated this part of the proposal adds property adjacent to contaminated property to be eligible in the brownfield remediation program. "Allowable costs" can include demolition and reconstruction on eligible property even if the demolition and reconstruction are to a building other than one being remediated. The proposal specifically adds backfill as an allowable cost. DED must ("shall") grant demolition tax credit in cases where demolition is part of an approved plan. (Program is otherwise discretionary).

The DED assumes this proposal could possibly increase Brownfield costs for demolition about \$500,000 for FY2002, \$600,000 for FY 2003, and \$700,000 for FY2004. DED assumes that proposal will not require additional resources at this time. Should volumes increase and credits be granted, the DED may request additional resources at a later date.

Oversight assumes the amount of the new tax credits that may be utilized in any year could exceed the estimates provided by DED, and have therefore ranged the impact of the legislation from \$0 (no new tax credits issued) to (More than \$500,000) in FY 2002, and so forth. Oversight assumes that since the remediation and demolition tax credits could be taken against taxes authorized in Section 148 RSMo, including insurance premium taxes, one-half of the tax credit could be realized by the County Foreign Insurance Tax Fund (and ultimately the School

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Districts) as well as General Revenue.

Officials from the **Department of Natural Resources (DNR)** state the proposed legislation would allow for demolition and remediation of buildings and areas not directly part of a Brownfield, but adjacent to a Brownfield, to be included in the project. The proposed changes apply to uncontaminated structures. DNR would not have to provide oversight of the demolition of the structure; however, DNR would do a preliminary review of the site to verify the site is not contaminated.

The department assumes there would not be a significant number of Brownfield sites expanding their projects to include adjacent properties. At this time, the DNR does not anticipate the need to request additional resources as a result of this proposal. If the number of Brownfield sites expanding their projects exceeds our expectations, there may be a need to request additional resources.

The proposed legislation would allow for demolition tax credits for up to one hundred percent of the costs of demolition that are not part of the voluntary remediation activities. The proposed legislation requires DNR to approve any tax credits authorized by this provision.

Before DNR approves the demolition tax credit, the participant will have to demonstrate that hazardous substances are not contained within or beneath the structure. This demonstration could be made in the documents DNR reviews during a preliminary review, if the documents are comprehensive enough. However, if the initially reviewed documents are not comprehensive and leave some doubt as to whether hazardous substances are within or beneath the structure, then DNR would ask that additional investigations be conducted.

DNR estimates 25 to 30 sites per year. DNR also estimates the review time to approve the tax credit, as illustrated above, is apt to vary depending on the adequacy of the data submitted. If only a preliminary review is necessary, the review time would be approximately 6 hours. If review beyond the preliminary review is needed, the review time could increase to approximately 16 hours. DNR does not anticipate being significantly impacted by these provisions; however, if the number of sites exceeds our expectations, we may need to request additional resources.

DNR has the authority to cost recover any cost associated with reviewing the demolition tax credit. The associated cost for a six hour review is approximately \$411 ($\text{ES III salary } \$3393 \times 12 \text{ months} / 2080 \text{ annual hours} = \$19.58 \times 3.5 \text{ multiplier} = \$68.53 \text{ hrly rate} \times 6 \text{ hours}$). The associated cost for a 16 hour review is approximately \$1,096 ($\text{ES III salary } \$3393 \times 12 \text{ months} / 2080 \text{ annual hours} = \$19.58 \times 3.5 \text{ multiplier} = \$68.53 \text{ hrly rate} \times 16 \text{ hours}$). The 3.5 multiplier is used to recover overhead costs such as clerical and administrative staff as well as the

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cost of fringe benefits and indirect charges applied to personal services. The amount of increased revenues depends on the number of demolition tax credits the department reviews and the amount of time to review each. Since the department does not know the number of applications that would be submitted or the amount of time it would take to review, the amount of increased revenues would be unknown. However the increased revenues are considered reimbursements and therefore they will not impact total state revenue.

Section 447.721 -Contiguous Property Redevelopment Fund;

In response to similar legislation from this year, officials from the **Department of Economic Development (DED)** stated the proposal creates the "Contiguous Property Redevelopment Fund" and allows DED to make grants to St. Louis City, Kansas City, Jackson County, Greene County, and St. Louis County from appropriated funds. The funds are to be used to assist the body both acquiring multiple contiguous properties within such boundary and engaging in the initial redeveloping of such properties for future use as private enterprise.

DED assumed an unknown amount will be appropriated to the fund. No cost is projected for the funds that would be appropriated to fund the program. DED assumes these funds will be appropriated in the FY 2003 budget. DED assumes the need for one Economic Development Incentive Specialist II (at \$37,488 per year) and associated expense/equipment to administer the grant program.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 12 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 18 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$738, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

In response to similar legislation from last year, officials from the **St. Louis Development Corporation** stated this proposal would allow them to fund the creation of major development-ready sites for development. They stated this legislation would assist them in the process of acquiring, effecting locations, demolishing existing improvements, and providing new infrastructure. They recommended a multi-year commitment of at least \$3 million dollars per year for this purpose for the City of St. Louis.

In response to similar legislation from this year, officials from the **Office of the State Treasurer** assume this proposal would not fiscally impact their agency.

Oversight assumes the annual amount appropriated from the General Revenue Fund to the Contiguous Property Redevelopment Fund, starting in FY 2003 would be an unknown amount. In a fiscal note for a previous version of the proposal, Oversight had estimated an appropriation of \$3 million, however, that proposal only included St. Louis City as the eligible recipient of the grants. This version expands the list of eligible recipients to also include Kansas City, Greene County, Jackson County and St. Louis County, therefore, Oversight assumes the appropriation may differ substantially from our original estimate.

Oversight also assumes the DED would grant/spend all monies appropriated to the new fund. In the fiscal note for the previous version of this proposal, Oversight originally assumed the DED would not require an additional FTE to administer this program, however, with the expanded possible recipients, Oversight assumes the DED would need an additional FTE if the amounts appropriated for this program were substantial enough to warrant. Oversight assumes DED would not need to pay for additional floor space for this additional FTE, and has also adjusted DED's estimate to reflect a starting salary for an Economic Development Incentive Specialist II.

Section 620.1450 - Individual Training Account;

DED states, with this part of the proposal, the Individual Training Account (ITA) Program is reduced from \$6 million per year to \$0 per year resulting in a \$6 million savings.

Section 1 - Recreational Facility Tax Credit;

The **DOR** states because this is a new tax credit, modifications to the systems will be needed in order to process the tax credit. Although DOR anticipates the number of taxpayers eligible for the credit will be minimal, the changes to the system are the same as a highly utilized credit. Therefore, DOR estimates it will take 1,384 hours of contract labor at a cost of \$46,170 in order

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to make those changes.

The **DED** assumes this part of the proposal adds a recreational facility tax credit program for Vernon County, and assumes the cost to be \$10,000 for FY 2002 only.

Oversight assumes this tax credit is not limited to FY 2002, and has estimated a fiscal impact of \$10,000 for each year in the fiscal note.

Senate Amendment 2 - Design Build:

Officials from the **Missouri Department of Transportation (MoDOT)** assumed this proposal would have no fiscal impact on their agency.

In response to a similar proposal, the Office of Secretary of State indicated there would be no fiscal impact to their agency.

Officials from the **Office of Administration - Division of Design and Construction (COA)** assume they would incur annual costs of approximately \$100,000. This would be the worst case scenario if five qualified proposers would participate in the bid of one Design-Build project, if each proposer is responsive, if the design-build proposer does not desire to retain all rights and interest in their design and the stipend paid to each proposer is approximately \$25,000 (maximum foreseeable amount).

Oversight assumes that combining the design and construction of a facility into one contract may affect the total cost of the project. Savings could be realized since one "design-builder" is responsible for the total project, and Division of Design and Construction (D&C) would not have to contract out the design and construction functions separately. However, Oversight further assumes there may be additional costs associated with this proposal, as it requires D&C to pay a stipend to each unsuccessful proposer in return for their rights in the design. Because design-builders may choose to forfeit this fee to retain the rights to their design, the costs for these fees cannot be estimated.

Senate Amendment 4 - Sales Tax Exemption for Health/Fitness Club Fees;

Officials of the **Department of Revenue (DOR)** estimate this exemption may result in a \$2.9 million loss in revenues. DOR assumes there is no administrative impact to the Department for this portion of the legislation.

ASSUMPTION (continued)

In response to similar legislation from this year, officials from the **Office of Administration - Budget and Planning (BAP)** stated this portion of the proposal deals with local taxes and will not effect state tax revenue.

Senate Amendment 5 - Special Business Districts:

In response to similar legislation from this year, officials of the **Kansas City Manager's Office** issued only an opinion with no fiscal impact statement.

Oversight assumes cities would realize savings from postage cost in an amount equal to the difference of the cost of regular mail versus the cost of registered or certified mail with a return receipt requested. The amount of savings would be dependent upon the number of owners of real property and licensed businesses located in the proposed Special Business District. Current law requires cities when establishing, enlarging or decreasing area of a Special Business District to notify all property owners of record in the district by registered or certified mail that a hearing will be held concerning the Special Business District. This proposal would allow notification of the hearing to be made by regular mail. Oversight will show fiscal impact as a positive unknown. Oversight expects cost savings for any city to be minimal and less than \$100,000 in a given year.

Senate Amendment 6 - Public Nuisance in Jefferson County:

In response to similar legislation from this year, officials of the **Department of Natural Resources** stated this proposal would have no fiscal impact to their department.

Oversight assumes this proposal is permissive and would have no state fiscal impact. Any costs that would be realized from nuisance abatement could be recovered from the property owner.

Senate Amendment 7 - Qualified Lead Abatement Projects:

Officials from the **Department of Revenue** state the number of taxpayers eligible to utilize this credit is unknown. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 10,000 new credits claimed per year (processing) and one Tax Season Temporary for every 75,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of

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correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

This legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$46,170. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

In response to similar legislation from this year, officials from the **Department of Health (DOH)** stated it is unknown how many people would utilize this tax credit. However there were approximately 549,900 housing units listed as pre-1950 (most likely in need of lead abatement work) in the 1990 census data for Missouri. DOH, Office of Lead Licensing and Accreditation, received 106 notifications of lead abatement projects involving child-occupied facilities and dwellings in calendar year 2000. Most, if not all, of these 106 projects were funded by federal grants, in which case these businesses or individuals would not incur a liability, making them ineligible for the tax credit. This legislation could increase the demand for lead abatement for property owners that are ineligible for federal grants because of current grant income guidelines. In that case, the Office would need two additional FTE's.

DOH anticipates receiving 5,500 applications annually which would require administrative review, correction and approval by a Health Program Rep. I. One hundred percent of these applications would then need to be tracked by a Clerk Typist II, who would also issue the certificates of tax abatement (tax credit).

The DOH response to similar legislation from last session indicated substantial costs could be incurred if the proposal were to pass. The difference between last year's response and this year's response is that DOH has re-evaluated the legislation and believes that it could be implemented differently with minimal fiscal impact. Last year's DOH response indicated the Division of Environmental Health and Communicable Disease Prevention (EHCDP) would be responsible for the implementation of the legislation. Therefore, the fiscal note response from DOH proposed the development of a new mechanism for the Division to fulfill (as DOH interpreted) its proposed statutory mandates.

DOH has now determined that if the General Assembly were to agree with DOH on the new interpretation of the legislation, then there would be minimal impact on the operations of DOH. DOH does not have the experience or expertise to run a tax credit program and would require 2 FTE and associated costs to implement this legislation.

ASSUMPTION (continued)

Routine physical inspection of facilities would not be part of the program activities with the new interpretation of the legislation. Therefore, standard inspection program costs would not be incurred and the cost of the legislation would be less than last year's DOH submission.

In response to similar legislation from this year, officials from the **Office of Secretary of State (SOS)** officials stated the proposal creates an income tax credit for owners of real estate that contains a child-occupied involved in a qualified lead abatement project. SOS states that based on experience with other divisions, the rules, regulations, and forms issued by the Department of Health could require as many as approximately 10 pages in the "Code of State Regulations". SOS states that for any given rule roughly half again as many pages would be published in the "Missouri Register" as in the "Code" because cost statements, fiscal notes, and the like are not repeated in the "Code". SOS states these costs are estimated. SOS estimates the cost of a page in the "Missouri Register" to be \$23.00. SOS estimates the cost of a page in the "Code" to be \$27.00. SOS estimates the cost at \$615. SOS states the actual costs could be more or less than the numbers given. SOS states the impact of this proposal in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, or withdrawn. SOS states the proposal alone does not require additional personnel but the cumulative effect of other proposals that require rule making activity may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Oversight assumes the fiscal impact to the state to be \$500,000 in each fiscal year.

Senate Amendment 8 - Tax credits for contributions to economic opportunity scholarship charity;

Officials from the **DOR** state they are unable to determine the number of taxpayers who will contribute to an economic opportunity scholarship charity. Therefore, DOR is unable to determine the number of FTE needed to administer the tax credits. Any FTE needed will be requested through the normal budget process based upon the following:

The number of taxpayers eligible to utilize this credit is unknown. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 10,000 new credits claimed per year (processing) and one Tax Season Temporary for every 75,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for

ASSUMPTION (continued)

every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

DOR assumes this legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$46,170.

Modifications to the income tax return and schedules will be completed with existing resources.

State Data Center charges will increase due to the additional storage and fields to be captured.

Funding in the amount of \$9,007 is requested for implementation costs.

DED states this program is capped at \$1,000,000 annually. DED will need staff and resources to implement and administer this program.

Oversight assumes \$1,000,000 of tax credits will be utilized annually, and have reflected cost for 1 FTE for the Department of Economic Development for the administration of the project.

Senate Amendment 9 - Tax credits for qualified investments in Missouri Small Businesses;

Oversight assumes this amendment sunsets the number of credits awarded through sections 135.400 to 135.430 to a specific industry. Oversight assumes this will not impact the total tax credits issued under this program.

Senate Amendment 11 - Tax credits for donation to the Missouri higher education scholarship fund;

DOR state they are unable to determine the number of taxpayers who will contribute to an economic opportunity scholarship charity. Therefore, the DOR is unable to determine the number of FTE needed to administer the tax credits. Any FTE needed will be requested through the normal budget process based upon the following:

The number of taxpayers eligible to utilize this credit is unknown. The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 10,000 new credits claimed per year (processing) and one Tax Season Temporary for every 75,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax

ASSUMPTION (continued)

Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

This legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$46,170. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

DED states this proposal would be administered by the Department of Revenue.

Oversight assumes the cap of \$250,000 will be utilized each year. Oversight also assumes the Department of Revenue would realize programming charges, but would be able to otherwise administer the tax credit with existing resources. If Oversight is incorrect in this assumption, the DOR could request additional resources through the normal budget process.

Senate Amendment 13 - Tax credits for donations to unplanned pregnancy resource centers;

Department of Revenue (DOR) is unable to determine the number of taxpayers who will contribute to an unplanned pregnancy resource center. Therefore, DOR is unable to determine the number of FTE needed to administer the tax credits. Any FTE needed will be requested through the normal budget process based upon the following:

The Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 10,000 new credits claimed per year (processing) and one Tax Season Temporary for every 75,000 credits claimed per year (key entry). Also, one Tax Processing Technician I will be needed for six months for every 30,000 additional individual income tax errors generated from this legislation and one Tax Processing Tech I for every 3,000 pieces of correspondence generated from this legislation. The Business Tax Bureau will need one Tax Processing Tech I for every 3,680 credit claims received on corporate tax.

This legislation will require modifications to the income and corporate tax systems and credit application system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor, at a cost of \$46,170. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured.

ASSUMPTION (continued)

Funding in the amount of \$9,007 is requested for implementation costs.

In response to a similar proposal (HB 663), officials of the **Department of Social Services, Division of Budget and Finance (DBF)** assumed DBF staff would be responsible for determining which facilities meet the criteria of subsection 1 and DBF would also establish procedures and perform the task of “equitable allocating credits to qualified resource centers.”

The cumulative amount of tax credits allowable in any fiscal year is \$2,000,000. DBF staff would do an initial allocation of the credits at the beginning of each fiscal year then reevaluate the apportionment of unused credits to ensure maximum use of the credits.

The number of staff required in a function of the number of participating facilities. In phone calls with Missouri Right to Life staff, DBF believes there are between 50 and 100 such facilities that would meet the criteria of subsection 1. Based on an estimated number of 85 facilities, DBF could perform the requirements of the legislation with one new Accounting Analyst I.

The Accounting Analyst I would be responsible for reviewing documents provided by the facilities to determine if they meet the criteria of subsection 1. The analyst would establish procedures to equally allocate credits to eligible unplanned pregnancy resource centers. To reapportion unused credits, the analyst would collect interim tax credit utilization information during the fiscal year and make the calculations necessary to reallocate unused credits. The analyst would collect and compile annual tax credit information and prepare a report for the director to send to DOR. Existing staff would provide supervision of the Accounting Analyst.

In a similar proposal, officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed this tax credit is capped at \$2 million annually. There is no empirical basis to estimate the fiscal impact of this proposal. Therefore, BAP estimated the impact to be between \$0 and \$2 million annually.

In a similar proposal, officials from the **Office of the Secretary of State (SOS)** assumed this bill establishes a tax credit for money given to unplanned pregnancy resource centers. Although the bill does not specifically address rule making, this bill may lead to DOR or DOS promulgating rules. These rules will be published in both the *Missouri Register* and the *Code of State Regulations*. Based on experience with other divisions, the rules, regulations and forms issued by DOR or DOS could require as many as 8 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual cost could be more or less than the

ASSUMPTION (continued)

numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In a similar proposal, officials of the **Department of Insurance (INS)** stated this proposal would grant tax credits against an insurer's premium tax payments (chapter 148 RSMo) for contributions to Unplanned Pregnancy Resource Centers. Maximum annual credit per taxpayer is \$50,000. Total credits are capped at \$2 million annually.

Tax credits for this legislation would not begin until 2002 tax year which would be paid 3/2003. Legislation could potentially be taken by 1,638 insurance companies. INS estimates the maximum tax credits of \$2 million will be taken, resulting in a decrease in premium tax revenue. Premium tax revenue is split 50/50 between GR and County Foreign Insurance Funds. County Foreign Insurance Funds are later distributed to school districts after they have been collected by the state.

Overall, officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Department of Economic Development's authority to promulgate rules, regulations, and forms as well as transfer existing rules to implement this bill. SOS estimates the division could require approximately 10 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 15 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal would be \$615, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal; however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

Overall, officials from the **Department of Revenue (DOR)** did not anticipate a significant increase in the number of new tax credits filed. Therefore, the DOR will not request additional FTE at this time. However, if DOR is incorrect in this assumption, they will need one Temporary Tax Season Employee for every 75,000 additional credits, one Tax Processing Tech I for every 30,000 additional errors generated and one Tax Processing Tech I for every 3,000 additional pieces of correspondence received regarding this credit. Any FTE needed will be requested during the normal budget process.

Oversight assumes an unknown amount of new tax credits may be utilized by insurance companies for payments of their insurance premium taxes in Section 148, which may incur a loss to the County Foreign Insurance Fund, which is ultimately distributed to the local school districts.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Savings</u> - Credit for New or Expanded Business Facility (<i>Section 135.100</i>)	\$4,000,000	\$4,000,000	\$4,000,000
<u>Costs</u> - Tax credits for new businesses within an enterprise zone, expanded from 20,000 to 25,000 (<i>Section 135.205</i>)	(\$47,952)	(\$95,904)	(\$143,856)
<u>Costs</u> - Satellite Zone Tax Credits in Springfield (<i>Section 135.207</i>)	(\$180,000)	(\$180,000)	(\$180,000)
<u>Costs</u> - Business Facility Tax Credits for Harley Davidson plant (<i>Section 135.230</i>)	\$0 to (\$200,000)	\$0 to (\$200,000)	\$0 to (\$200,000)
<u>Costs</u> - Tax Credit for Investments in Missouri Small Businesses (<i>Section 135.400 - 135.423</i>)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
<u>Costs</u> - Reallocation of Neighborhood Assistance Tax credits. (<i>Section 135.484</i>)	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)	\$0 to (\$2,100,000)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs</u> - Certified Capital Company Program (<i>Section 135.503</i>)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
<u>Savings</u> - Tax Credit for Investment in, or Relocating a Business to, a Distressed Community (<i>Section 135.535</i>)	\$2,500,000	\$2,500,000	\$2,500,000
<u>Savings</u> - Tax Credit for Transportation Development of a Distressed Community (<i>Section 135.545</i>)	\$2,500,000	\$2,500,000	\$2,500,000
<u>Costs</u> - withholding tax revenues used for the Community College job training program (Sections 178.892, 620.470 & 620.474)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Costs</u> - Tax Credit for Contributions to Innovation Centers (<i>Section 348.302</i>)	(\$4,000,000)	(\$4,000,000)	(\$4,000,000)
<u>Costs</u> - Demolition Tax Credits (Sections 447.700 & 447.708)	\$0 to (More than \$500,000)	\$0 to (More than \$600,000)	\$0 to (More than \$700,000)
<u>Costs</u> - DED			
Personal Service (1 FTE)	\$0	(\$31,267)	(\$32,048)
Fringe Benefits	\$0	(\$10,421)	(\$10,682)
Expense and Equipment	<u>\$0</u>	<u>(\$20,085)</u>	<u>(\$7,957)</u>
<u>Total Costs</u> - DED (Section 447.721) *	\$0	(\$61,773)	(\$50,687)
<u>Costs</u> - Appropriation to the contiguous property redevelopment fund (Section 447.721) *	\$0	(Unknown)	(Unknown)
<u>Savings</u> - Individual Training Account Program (Section 620.1450)	\$6,000,000	\$6,000,000	\$6,000,000
<u>Costs</u> - DOR programming charges for recreational facility tax credit (Section 1)	(\$46,170)	\$0	\$0

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs</u> - Recreational Facility Tax Credit (Section 1)	(\$10,000)	(\$10,000)	(\$10,000)
<u>Savings</u> - Due to design-build contracts (SA2)	Unknown	Unknown	Unknown
<u>Costs</u> - Stipend for rights to designs (SA2)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Sales tax exemption to health facilities (SA 4)	(\$1,266,376)	(\$1,519,651)	(\$1,519,651)
<u>Costs</u> - Lead Abatement Project (SA 7)	(\$500,000)	(\$500,000)	(\$500,000)
<u>Costs</u> - DOR programming charges for Lead Abatement tax credit (SA 7)	(\$55,177)	\$0	\$0
<u>Costs</u> - Department of Health			
Personal service (2 FTE)	(\$43,286)	(\$53,241)	(\$54,573)
Fringe benefits	(\$14,427)	(\$17,745)	(\$18,189)
Expense and equipment	<u>(\$25,394)</u>	<u>(\$16,109)</u>	<u>(\$16,593)</u>
<u>Total Costs</u> - Department of Health (SA7)	(\$83,107)	(\$87,095)	(\$89,355)
<u>Costs</u> - Contributions to economic opportunity scholarship charity tax credits (SA 8)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)
<u>Costs</u> - DOR programming charges for econ. scholarship charity credit (SA 8)	(\$55,177)	\$0	\$0
<u>Costs</u> - DED			
Personal Service (1 FTE)	(\$25,625)	(\$31,519)	(\$32,307)
Fringe Benefits	(\$8,541)	(\$10,505)	(\$10,768)
Expense and Equipment	<u>(\$14,100)</u>	<u>(\$7,725)</u>	<u>(\$7,957)</u>
<u>Total Costs</u> - DED (SA 8)	(\$48,749)	(\$49,749)	(\$51,032)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Costs</u> - Contributions to Missouri higher education scholarship donation fund credits (SA 11)	(\$250,000)	(\$250,000)	(\$250,000)
<u>Cost</u> - Dept. of Social Services			
Personal Service (1 FTE)	(\$17,533)	(\$35,957)	(\$36,856)
Fringe Benefits	(\$5,844)	(\$11,984)	(\$12,284)
Expense and Equipment	<u>(\$6,805)</u>	<u>(\$920)</u>	<u>(\$947)</u>
<u>Total costs</u> to DOS (SA 13)	(\$30,182)	(\$48,861)	(\$50,087)
<u>Costs</u> - Credits for contributions to unplanned pregnancy resource centers (SA 13)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
<u>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</u>	<u>Could exceed (\$5,372,890)</u>	<u>Could exceed (\$5,703,033)</u>	<u>Could exceed (\$5,844,668)</u>

***SUBJECT TO APPROPRIATION**

CONTIGUOUS PROPERTY REDEVELOPMENT FUND

<u>Revenue</u> - Appropriation from the general revenue fund	\$0	Unknown	Unknown
<u>Costs</u> - Grants to the City of St. Louis, City of Kansas City, Jackson County, Greene County and St. Louis County	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

ESTIMATED NET EFFECT ON THE CONTIGUOUS PROPERTY REDEVELOPMENT FUND

\$0 \$0 \$0

--SUBJECT TO APPROPRIATION--

FISCAL IMPACT - State GovernmentFY 2002
(10 Mo.)

FY 2003

FY 2004

SCHOOL DISTRICT TRUST FUNDLoss - Sales tax exemption to health facilities (SA 4)(\$422,125)(\$506,550)(\$506,550)**CONSERVATION FUND**Loss - Sales tax exemption to health facilities (SA 4)(\$52,766)(\$63,319)(\$63,319)**PARKS AND SOIL FUNDS**Loss - Sales tax exemption to health facilities (SA 4)(\$42,213)(\$50,655)(\$50,655)**COUNTY FOREIGN INSURANCE
TAX FUND**Loss - Tax Credits

(Unknown)

(Unknown)

(Unknown)

Savings - Decreased distributions to School DistrictsUnknownUnknownUnknown**ESTIMATED NET EFFECT ON
COUNTY FOREIGN INSURANCE
TAX FUND**\$0\$0\$0

FISCAL IMPACT - Local Government**FY 2002**
(10 Mo.)**FY 2003****FY 2004****CALDWELL COUNTY****Revenue** - sales tax* (*Section 67.1300*) \$0 to \$60,000 \$0 to \$120,000 \$0 to \$120,000**NEWTON COUNTY****Revenue** - sales tax on transient guests* \$0 to Unknown \$0 to Unknown \$0 to Unknown
(*Section 67.1360*)

* Subject to voter approval

CITY OF ST. LOUIS**Income** to City of St. Louis

Enforcement of Liens (Section 429.015)

Unknown**Unknown****Unknown****SCHOOL DISTRICTS****Loss** - Decreased distributions from
County Foreign Insurance Tax Fund (Unknown) (Unknown) (Unknown)**CITIES****Loss** - Sales tax exemption to health
facilities (SA 4) (\$379,913) (\$455,895) (\$455,895)**Savings** to Certain Cities (SA 5)
from postage cost Unknown Unknown Unknown**COUNTIES****Loss** - Sales tax exemption to health
facilities (SA 4) (\$253,275) (\$303,930) (\$303,930)

FISCAL IMPACT - Small Business

This proposal would impact small businesses in various ways.

DESCRIPTION

This substitute does the following:

- (1) Allows the residents of Caldwell County to impose a sales tax of up to one-half of one percent, pending voter approval (Section 67.1300);
- (2) Allows the residents of Newton County to impose a hotel/motel sales tax in addition to any transient guest tax currently in effect of between 2% and 5% (Section 67.1360);
- (3) Allows the City of Kansas City to resubmit to voters a proposal to issue bonds and impose a sales tax sooner than twelve months from the date of the last proposal submitted, if submitted to the voters on or before November 6, 2001;
- (4) Changes participation requirements regarding the Credit for New or Expanded Business Facility for participants commencing operations on or after January 1, 2001 (Section 135.100);
- (5) Expands the definition of a "revenue-producing enterprise," as it relates to enterprise zones, to include airports, flying fields and terminal services as well as hotel and motel activities in the City of Salem, but limits the tax credits or abatements available to only local taxes (Section 135.200);
- (6) Increases the maximum population of enterprise zones not located in a metropolitan area from 20,000 inhabitants to 25,000 (Section 135.205);
- (7) Authorizes the City of Springfield, in cooperation with the Director of the Department of Economic Development, to designate up to 3 satellite zones within the City. The Director must approve the City's overall plan for enterprise zone and satellite zone use prior to the designation (Section 135.207);
- (8) Allows any employee of a new business facility with the North American Industry Classification System Number 336991 to be considered a resident of an enterprise zone, even if the employee ceases to live in an enterprise zone, as long as the following conditions are met:
 1. The individual was a resident of an enterprise zone for one calendar month prior to and three months after his employment with the new NAICS 336991 business facility;
 2. The individual remains employed with the new NAICS 336991 business facility, and;
 3. The individual continues to reside in Missouri.

DESCRIPTION (continued)

An NAICS 336991 business relates to motorcycles, bicycles, and parts (Section 135.230);

(9) Makes several changes to the Tax Credit for Investments in Missouri Small Businesses, including changing the definitions for "Community development corporation", "principal owners" and "target area", as well as changing the tax credit cap from a \$13 million cumulative cap (with \$4 million of that going to businesses in distressed communities) to an annual cap of \$4 million (with \$2 million of that going to businesses in distressed communities). Other changes include raising the percentage of the business that an investor must own after the investment from fifty percent to sixty-five percent, reducing the number of years that a qualified investment must remain in the Missouri small business from five years to three years, and stating that any revocation of this tax credit by the Department of Economic Development shall only apply to the original applicant for the tax credit and not a good faith subsequent purchaser thereof. (Section 135.400 - 135.423);

(10) Expands eligible activities and programs for the Youth Opportunities and Violence Protection Act (Section 135.460 & SA 1);

(11) Expands the definitions of "eligible residence", "new residence" and "project used in the tax credit for rehabilitation and construction of residences in distressed communities and census block. The proposal also increases the eligible tax credit from 15 to 20 percent of costs incurred for a new residence as well as reduce the per residence credit from \$40,000 to \$35,000 (Section 135.478 & 135.481);

(12) Revises two tax credit programs. Under current law, of the \$16 million in community improvement tax credits allowed, \$8 million are to be allocated for "eligible residence" programs and \$8 million for "qualifying residence" programs. The substitute states that if, by October 1 of the calendar year, the Director of the Department of Economic Development has issued all \$8 million of the credits allowed for one of these programs and not the entire \$8 million allowance for the other program, the director is required to reallocate 70% of any unused tax credits from the program which has not reached its \$8 million cap to the one which has. The reallocated credits will be given to taxpayers who have applied for, but have not received, tax credits in that same year and who are engaged in projects in the area where the tax credit cap has been met for that same year. The maximum reallocated tax credit for any project cannot exceed \$500,000 (Section 135.484);

(13) Adds that projects involving the new construction, rehabilitation or substantial rehabilitation of more than one residence qualifying for the tax credit for rehabilitation and construction of residences in distressed communities may be submitted with one application. Also tax certificates may be approved upon completion for each individual residence rather than

DESCRIPTION (continued)

delaying until substantial completion of the entire project (Section 135.487);

(14) Adds the definition of "Certified capital investment", "Qualified debt instrument", "Qualified Missouri agriculture business" and updates the definitions of "Affiliate of a Certified Company", "Qualified Distribution", "Qualified Investment" and "Qualified Missouri Business" within the CAPCO program. The proposal also adds new restrictions regarding participants in the CAPCO program, the securities they may invest in, keeping the business within Missouri and reporting annually to the Department of Economic Development (Section 135.500);

(15) The proposal adds an additional \$4 million (per year) in tax credits available for investments in distressed communities and states that the cumulative total tax credits authorized in the Certified Capital Company Program shall no more than \$140 million (Section 135.503);

(16) The proposal makes various other changes to the CAPCO program, such as CAPCO certification requirements, investment options, requirement of qualified Missouri businesses to remain in Missouri, additional reporting procedures, and adding qualified Missouri agriculture businesses to available investment options for the new round of CAPCO credits (Section 135.500 - Section 135.527);

(17) Makes various changes to the Tax Credits for Investments in or Relocating a Business to a Distressed Community (Section 135.535)

(18) Changes the amount of Credits for Investing in Transportation Development of a Distressed Community from an \$10 million to \$7,500,000 per year (Section 135.545);

(19) Revises the definition of an "industry" entering into an agreement with a community college under the New Jobs Training Program to include health or professional services.

The definition of an "industry" which may receive assistance from the Job Development Fund is expanded to include a consortium of entities organized to provide common training to the member entities' employees.

The Basic Industry Retraining Program is expanded to support all new investment, not just capital investment (Sections 178.892, 620.470, 620.474);

(20) Makes changes regarding the Missouri Housing Development Commission (Sections 215.036 & 215.038);

DESCRIPTION (continued)

(21) Changes the Tax Credit for Contributions to Innovation Centers from a \$9 million aggregate cap to a \$4 million annual cap (Section 348.302);

(22) Allows the City of St. Louis to have a lien on real property when it has ordered a person to demolish a dangerous building on that property and it has paid the person for the work within 120 days of completing the work.

The bill also requires architects, professional engineers, land surveyors, and their corporations to be licensed when performing services directly connected with the erection or repair of a building or the abatement of dangerous buildings. Current law requires architects, professional engineers, and land surveyors to be registered (Section 429.015);

(23) This proposal allows the demolition and reconstruction of buildings or structures which are not the object of remediation to count as allowable costs under the brownfield remediation tax credit program if:

1. The buildings or structures are located on an abandoned or underutilized property which is approved for financial assistance through the program; and
2. The demolition is part of a redevelopment plan approved by the Director of the Department of Economic Development and by the local government with jurisdiction in the area in which the project is located.

The proposal also allows properties immediately adjacent to any abandoned or underutilized property to qualify as an "eligible project" under the brownfield remediation program if the abandoned or underutilized property meets program requirements.

It also changes the definition of "allowable costs" for redevelopment and remediation projects to include demolition of any building or structure which is located on the site of an abandoned or underutilized property within Washington in Franklin County (Sections 447.700 & 447.708);

(24) Creates the Contiguous Property Redevelopment Fund within the Department of Economic Development. The fund will be used for grants to the City of St. Louis, St. Louis County, Greene County, Kansas City, and Jackson County for acquiring and redeveloping contiguous properties within the areas. DED may promulgate rules for the administration of the program, including the form used to apply for the grants. DED is to give preference to those projects proposing the assembly of a greater number of acres than other projects and those projects for which a private interest in the usage of the property exists, once redevelopment of the property is completed.

DESCRIPTION (continued)

The provisions of the substitute expire on August 28, 2006 (Section 447.721);

(25) Reduces the limit on tax credits relating to the Individual Training Account Program from \$6 million to no more than \$0 annually (Section 620.1450);

(26) Adds a \$10,000 tax credit for the owner of a recreational facility for improvements made to the facility (Section 1).

(27) Senate Amendment 2 authorizes the Division of Design and Construction to enter into "design-build" contracts for the development of state buildings as pilot projects. The Division may use the design-build process for up to four projects with a projected cost of \$5 million or less and four projects with a cost of more than \$5 million. The Director must submit annual progress reports to the General Assembly.

The Director of the Division of Design and Construction may determine that a design-build procurement process is necessary for any particular project based upon criteria set out in the bill. The Division may hire a consultant to prepare proposals, review documents, decide disputes and make inspections. Design-build proposals are evaluated by a team composed of two representatives of the Division, two representatives of the agency that is to use the finished building and a chairman appointed by the Director of the Division.

Design-build proposals must be advertised and this bill specifies the requirements that a request for proposal must meet.

Proposals may be solicited in three phases: Phase I involves soliciting of qualifications so that design-builders may be pre-qualified. The top five qualifiers will be asked to participate in Phase II, in which they submit their design for the project. In Phase III, the design-build contractors shall submit cost proposals. The phases shall be weighted. Phase II shall account for no more than 50 percent of the total point score. Phase III shall account for not less than fifty percent of the total point score. In evaluating the cost proposals, the low bidder will be awarded the total number of points assigned to be awarded in Phase III. For other bidders, cost points will be calculated by reducing the maximum points available in Phase III by 2 percent or more for each percentage point of the low bid by which the bidder exceeds the low bid.

The Division shall pay a stipend to qualified proposers who submit responsive bids that are not accepted and the state shall have the right to use the design so submitted. The authority to enter into the design-build pilot projects terminates December 31, 2004;

DESCRIPTION (continued)

(28) Senate Amendment 4 exempts from sales tax all membership and other user fees paid to health and fitness centers.

(29) Senate Amendment 5 removes the requirement that notices of hearings on establishing, enlarging or decreasing a Special Business District be mailed by registered or certified mail with return receipt attached. It allows such notices to be sent by regular mail;

(30) Senate Amendment 6 allows Jefferson County to enact ordinances to reduce conditions on property which constitute a public nuisance. The ordinances may state that if the owner does not remove the nuisance within 7 days of notice, the building commissioner may have the condition eliminated. Cost will be certified to the officer in charge of finance and considered added to the annual real estate tax bill for that property as a personal debt of the owner;

(31) Senate Amendment 7 authorizes various state tax credits to owners of certain child-occupied facilities who participate in a lead abatement project. The credit may be taken against income tax, franchise tax, or financial institutions tax. The credit will be equal to 50% of the lead abatement cost to the owner and cannot be claimed in more than 2 consecutive years. The credit is not refundable but can be carried back for 3 years or forward for 5 years.

The bill requires a tax certificate from the Department of Health to qualify for the credit.

The credit will apply to tax year 2002 and thereafter;

(32) Senate Amendment 8 allows a tax credit for contributions to an economic opportunity scholarship charity. The total amount of credits authorized are not to exceed \$1,000,000 for each fiscal year;

(33) Senate Amendment 9 sunsets the Investments in Missouri Small Businesses tax credits issued to a specific industry at June 30, 2002;

(34) Senate Amendment 11 adds a tax credit equal to 35% of the amount of any donation to the Missouri higher education scholarship fund created by section 173.196, RSMo. The total amount of credits authorized are not to exceed \$250,000 for each fiscal year;

(35) Senate Amendment 13 adds a tax credit for contributions to Unplanned pregnancy resource center (capped at \$2,000,000 annually) to be administered by the Department of Social Services;

(36) Senate Amendment 14 conditions the investments made in Missouri small businesses in distressed communities;

DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Department of Insurance
Department of Agriculture
Department of Natural Resources
Department of Higher Education
Department of Elementary and Secondary Education
Department of Labor and Industrial Relations
Office of the Secretary of State
State Treasurer's Office
Department of Transportation
Office of Administration
Department of Health
Department of Social Services
City of Springfield
City of Kansas City
City of St. Louis
Caldwell County
Newton County
City of Salem

NOT RESPONDING: **Christian County Clerk, Greene County Clerk**



Jeanne Jarrett, CPA
Director

May 18, 2001